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SUBJECT: DOMESTIC IT SECTOR GROWS DESPITE LURE OF DUBAI

REFS: A. Amman 504

- ¶B. 07 Amman 4717
- ¶C. 07 Amman 4207
- ¶D. 07 Amman 3654

¶1. (U) Summary: The Jordanian information technology (IT) sector grew an estimated 25 percent in 2007, and is exploiting strong technical, entrepreneurial and Arabic cultural awareness skills. A growing mobile and broadband internet telecommunications sector is a strong complement, and the government's e-government initiative provides a solid growth opportunity. Still, the Jordanian IT sector is criticized by officials and industry leaders for containing too many small businesses, lacking managerial skills, and lacking sufficient financing. Rapid growth in the Gulf is pulling Jordanian engineers away, and threatens the domestic industry. End Summary.

GROWTH AND STRENGTHS OF THE IT SECTOR

¶2. (U) Information technology is one of the most promising sectors for Jordan. Int@j, the Jordanian IT industry association, estimates that the sector generated revenues of USD 770 million in 2006 and likely approached USD 1 billion in 2007. Minister of Information and Communications Technology (MOICT) Bassem Rousan told EconOffs that his ministry needs to start a campaign to educate parliament and Jordanians about what IT is and the role it plays in the economy. Hazem Malhas, CEO of Optimiza, Jordan's largest IT company, said that the IT sector should be considered to include not just IT consulting firms, but also the talented IT sections within Jordanian banks and telecommunications companies.

¶3. (SBU) Rousan said that in addition to strong technical skills, Jordan's IT competitive advantage is technical workers with Arabic language skills and understanding of the tribal aspects of culture in the Gulf states. Malhas elaborated that this is especially important when competing against Indian IT companies for work in Saudi Arabia, and is also an advantage over Egyptian competitors. Rousan said Jordan is home to one 150-seat IT call center, and a second 350-seat call center will open this month. He added Cisco is also about to increase its number of technical customer service positions in Jordan to support the Middle East region.

TELECOM SECTOR GROWTH COMPLEMENTS IT

¶4. (SBU) Post interlocutors agree that the growth of the telecommunications sector, particularly the ubiquity and low prices of mobile phones, has been good for the economy, especially the IT sector. Rousan described efforts to encourage private sector internet service providers to use Jordan's fiber optic loop for education to offer broadband services to areas outside of Amman. Mamoun Balqar, Vice-Chairman of the Telecommunications Regulatory Commission, said that the second WIMAX service roll-out by ATCO Clearwire has rightfully been delayed to ensure a technical success (Ref B). Rousan said both this fiber optic loop and the roll-out of WIMAX should help to break the hold that Jordan Telecom/Orange has on telecommunications services. Malhas and Balqar agreed that WIMAX should have a significant impact on broadband penetration and use, and should lower prices for all internet connectivity which will help Jordan's economy.

E-GOVERNMENT IS AN OPPORTUNITY FOR GROWTH

¶5. (SBU) Malhas cited the government's e-government initiative (Ref D) as an opportunity for the IT sector, as well as a challenge. He said that the large size of the initiative would allow small businesses to hire and develop staff, but that just 30 percent of the e-government funds were spent last year. Rousan said that a variety of firms have been involved thus far, but acknowledged that the e-government effort has highlighted problems with the tendering process. Rousan noted that good e-government can reduce corruption by increasing transparency and changing the relationship between citizens and government. Rousan said he has been working with USAID to develop a law that will cover e-commerce, e-crime, e-signature and funds transfer. He said the law will most likely not be ready until next year's parliament session.

AMMAN 00000655 002 OF 002

WEAKNESSES OF THE SECTOR AND ENVIRONMENTAL THREATS

¶6. (U) Rousan and Malhas agreed that the greatest weakness of the Jordanian IT sector is that it is comprised of many small companies. Minister of Industry and Trade Amer Hadidi highlighted at a February 24 SME conference that 98% of businesses in Jordan are small and medium-sized enterprises, and that they employ 33 percent of the workforce. Malhas said there are no regional information technology firms - only small national and very large international systems integrators - and that he has grown his 450-employee business through mergers. Rousan said he is trying to convince companies to merge in order to be able to compete for bids against the large, international system integrators. Both also believe that Jordanian companies need to specialize in particular industry sectors, such as insurance or banking, or particular functional areas, such as accounting or inventory management, in order to win competitive bids.

¶7. (SBU) A second weakness in Jordan's IT sector is the lack of readiness of recent graduates for the workforce. Rousan said that Jordan has 6,000 technical graduates per year, and that while the university technical programs are good, graduates are "not quite ready" for the workplace (Ref C). He said MOICT is working with universities and vendors to integrate certification programs, such as Cisco CCIE into the undergraduate programs. Rousan and Malhas agreed that Jordanians have strong technical and engineering skills, but often lack complementary marketing and management skills.

¶8. (SBU) Malhas also described financing as a challenge to the growth of small IT businesses with a dearth of venture capital firms and little private equity (Ref A). He said Jordan suffers from a lack of "smart money" which combines advice and financing. Hadidi said at the SME conference that financing was the greatest challenge for small and medium-sized enterprises since their activities are often difficult for banks to understand and can outgrow the resources of family-based financing.

LURE OF DUBAI AND SAUDI ARABIA

¶9. (SBU) Interlocutors agreed that one of the largest threats to the domestic IT sector was the overwhelming growth in Dubai, Saudi Arabia, and other Gulf areas. A January 2008 report by IDC, a global IT researcher, said that IT spending growth is 12.4 percent in the Middle East, with nearly half of the spending in UAE and Saudi Arabia. Rousan said that part of his job is to convince companies that it is cheaper to keep (or put) IT positions in Jordan than relocating Jordanians to Saudi Arabia or the UAE. Malhas said that his business, while headquartered in Jordan, has offices in the Gulf to focus on its many Gulf clients. Rami Al-Karmi, CEO of @ Your Service Group, agreed that the difficulty of GOJ procurement makes it easier to find work elsewhere.

¶10. (U) Across industries, business owners lamented the loss of talented employees to the Gulf. Mustafa Nasereddine, Executive Director of Talal Abu-Ghazaleh consulting, said at a February 27 IT competencies conference that the industry cannot stop migration, but should attempt to keep people and encourage their return. Marwan Hejazen, Country Commercial Officer for DHL, noted that all Jordanian businesses are recruiting from the same small pool of fluent English-speaking, college-educated professionals. He said this pool also considers working in the Gulf, and that offers from abroad were altering Jordanians' expectations for domestic salaries. Malhas said that the rate of growth in the Gulf is unprecedented, and that Dubai was in essence "building Chicago in five years." He said that the growth in multi-national corporations in Dubai was drawing not only IT professionals, but also very large numbers of Jordanian lawyers, accountants, and doctors.

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